NEWSPAPER

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AmEx lands Paul Newman

LAST MINUTE NEWS

Mexico taps Bozell

MEXICO CITY—Mexican Tourism Secretariat today will name Bozell, New York, to handle its $15 million-to-$20 million account, sources said. Saatchi & Saatchi Advertising, New York, handled predecessor Mexican National Tourist Council.

Schalk mulls options

NEW YORK—Willi Schalk, who retires as president-chief operating officer of BBDO Worldwide here at yearend, will be named ceo of a group within a major West German publishing company next month, sources said. Mr. Schalk, 49, a West German native, is expected to land at Bertelsmann's Gruner & Jahr unit, possibly heading a newly created unit for foreign ventures, or at Axel Springer Verlag, another major publisher there. He declined to comment on his plans.

AT&T's Armstrong retiring

NEW YORK—Kim Armstrong, 53, will retire as AT&T director of advertising and promotions-consumer services this month. Ms. Armstrong in 1987 became the first woman chairman of the Association of National Advertisers. She opted to take early retirement through a package offered to certain AT&T managers.

Pet to streamline shops

ST. LOUIS—Pet Inc. this week is expected to reorganize its agency relationships, with D'Arcy Masius Benton

(Continued on Page 8)

INSIDE

Joe Blanton

Talking with Ted

The king of cable TV—Ted Turner—speaks candidly about programming legislative issues, the role of the advertiser and his new philosophy of cable's political and environmental responsibilities. Special Report on Cable TV starts after Page 38.

By Judith Graham

American Express Co. has scored a major coup by snaring actor Paul Newman for an upcoming ad campaign.

The company also might be on the verge of signing actress Meryl Streep.

Both superstars are well-known holdouts against endorsement deals with Madison Avenue and have high credibility among consumers. Neither has ever appeared in a national commercial ad campaign.

Mr. Newman's public relations agency, Rogers & Cowan, confirmed the actor is planning to do "an AmEx commercial" but declined to give details.

Ms. Streep's agent, International Creative Management, declined comment, but other industry sources said she's negotiating an agreement with AmEx.

Word of the AmEx deals leaked out soon after rival Visa International announced its high-profile agreement with former Beatle Paul McCartney *(see story on Page 50)*.

Under that arrangement, Visa will sponsor the 1990 leg of the singer's tour and Mr. McCartney will appear in an $8.5 million TV campaign for Visa.

What's not widely known is that AmEx also tried to strike a deal with Mr. McCartney, but those negotiations fell through.

Just what kind of deals Mr. Newman and Ms. Streep have fashioned or are about to fashion with AmEx couldn't be determined. Company officials refused comment.

But sources say the stars are signing with the credit card giant for somewhere between $2 million and $5 million apiece and that both are demanding creative control over any advertising.

Sources including former AmEx marketing executives, ad agency executives specializing in credit card marketing, rival card marketers and top talent executives suggest two possible uses of the stars.

People familiar with Mr. New-

(Continued on Page 52)

Vinnie Zuffante/Starfile — Touchstone Films

Meryl Streep is negotiating and Paul Newman has signed.

WPP struggles with units

By Gary Levin

NEW YORK—WPP Group is developing its own trouble spots.

Although these problems aren't as serious as Saatchi & Saatchi Co.'s current woes, they're cause for concern among WPP watchers, who want to know whether Chief Executive Martin Sorrell can manage people as well as acquisitions.

The Harvard Group, a 7-year-old financial marketing agency here purchased by WPP in 1987, appears to have shut down last month.

The agency's president-ceo, marketing director and creative director have all left WPP, and a woman who answered the phone in its former Madison Avenue office said she believed the company was "out of business." Other WPP executives confirmed the unit had been "dissolved."

■ What can Saatchi & Saatchi do with Carl Spielvogel?—Page 2.

Despite the absence of any clients, operating personnel and current phone listing, WPP maintains the Harvard Group is still operating.

Lewis Trencher, the financial controller for WPP's Rasor Communications U.S. holding company, said he's the "person in charge" of Harvard, which he maintained is now operating from WPP's U.S. headquarters.

"We are pursuing real estate projects similar to the ones Harvard has done, and we're in the process of getting our house in order," Mr. Trencher said. "We're exploring various options that we have in developing new business."

In addition to Harvard, WPP has privately acknowledged to analysts that it's

(Continued on Page 52)

Pepsi ups stakes

Boosts diet TV spending by 50%

By Patricia Winters

Pepsi-Cola Co., in an offensive strike against market leader Coca-Cola Co., will hike first-quarter network TV spending by 50% for reformulated Diet Pepsi and caffeine-free Diet Pepsi.

Pepsi has notified bottlers it will break new TV advertising Jan. 1 to support the reformulation. Commercials carry the new "The right one" theme from BBDO Worldwide, New York.

Breaking the new effort weeks before the Super Bowl, traditionally the showcase for unveiling major campaigns, shows Pepsi is staging an early attack on Coca-Cola.

An industry source said Pepsi implied in a letter to bottlers that first-quarter network spending for Diet Pepsi and its caffeine-free partner will be up 50% from a year ago, making them "the most talked-about soft drinks."

The company's spot TV spending plans are unclear, but one rumor is that Pepsi plans to hike total first-quarter advertising for the two products by as much as 90%.

In the first quarter of 1989, Pepsi spent about $20 million in measured media on Diet Pepsi and caffeine-free Diet Pepsi. About $8 million went to network TV, reported BAR/LNA Multi-Media Service. Diet Coke and caffeine-free Diet Coke got about $27 million in support, with about $15 million going to network TV.

"This is going to be some battle," the industry source said. "[Pepsi] is coming out with its guns blazing, that's for sure."

A Pepsi spokeswoman said the company

(Continued on Page 49)

This TV spot directed by Joe Pytka is introducing Pepsi's "The right one" theme.

Next for Saatchis: Spielvogel face-off?

By Jon Lafayette and Laurel Wentz

With Saatchi & Saatchi Co.'s disastrous 1989 financial results behind him, new Chief Executive Robert Louis-Dreyfus' biggest challenge may now come from Carl Spielvogel.

Mr. Spielvogel, chairman-ceo of Saatchi-owned Backer Spielvogel Bates Worldwide, New York, has irritated Saatchi executives in the past by publicly stating his willingness to buy either his agency or the whole company.

"Every time something goes wrong with the holding company, he makes a deliberate attempt to say, 'Well, of course, if I were running it, it would all be different,' " an annoyed Saatchi executive said. "He's had his wrists pretty firmly slapped, but you don't want to go on slapping his wrist."

Last week, as Saatchi reported a $91.8 million net loss for its fiscal year, Mr. Spielvogel maintained a discreet silence. But among those said to be upset with Mr. Spielvogel for his past remarks are co-founder Charles Saatchi and Mr. Louis-Dreyfus.

Saatchi sources hint Mr. Saatchi and his brother, Maurice, would sooner fire Mr. Spielvogel than sell him the agency. "No one is irreplaceable," another senior Saatchi executive said.

If Mr. Spielvogel continued to needle his London-based managers, Mr. Louis-Dreyfus would most likely terminate him on grounds that "this isn't in the best interests of the company," the executive said, adding, "I think we could all live with that."

For his part, Mr. Spielvogel last week denied he'd been reprimanded by anyone at Saatchi and declined to comment on Saatchi's poor earnings.

But in a memo to the Backer staff, he said, "The financial results at the parent company will not in any way affect our service to clients, our staffing or our ability to continue to provide long-term rewards for our career professionals."

At the same time, Saatchi officials tried to downplay the seriousness of Mr. Spielvogel's takeover ambitions. They claim to have written assurances from Prudential-Bache Securities that the investment banker won't finance an unfriendly bid from a Saatchi employee, such as Mr. Spielvogel.

Mr. Spielvogel previously had said Prudential-Bache, a Backer client, would back him in a friendly bid for Saatchi or his agency.

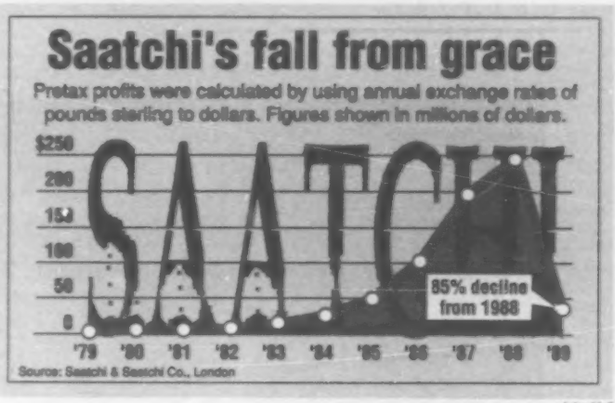
Skepticism has been expressed about the existence of such assurances to the Saatchis from the investment banker, and Mr. Spielvogel wouldn't comment on whether he's still interested in a buyback or takeover bid.

Because of its widely publicized financial troubles, Saatchi has been eyed as a potential takeover target, but there's also speculation the company might try to go private if an acquisition bid surfaces. Others have surmised Mr. Louis-Dreyfus was brought in to rebuild Saatchi's market value so the company could fetch a higher price if the Saatchis ever decide to sell out.

Either way, as the personalities put their spin to this internal jockeying, agency watchers don't expect Mr. Spielvogel to stay quiet for very long.

"If you look back over his rec-

(Continued on Page 52)


Saatchi's fall from grace
Pretax profits were calculated by using annual exchange rates of pounds sterling to dollars. Figures shown in millions of dollars.
$250
200
150
100
50
0
SAATCHI
85% decline from 1988
'79 '80 '81 '82 '83 '84 '85 '86 '87 '88 '89
Source: Saatchi & Saatchi Co., London

John Hall

Chrysler picks media chief

By Raymond Serafin

HIGHLAND PARK, Mich.—Chrysler Motors plans to create a new in-house position to coordinate the media strategies of its three automotive divisions and their agencies.

Sources say the advertising media relations manager post will go to Arthur Kesteloot, a former ad manager and now merchandising manager for Dodge cars. Mr. Kesteloot will report to John Damoose, named to the new position of VP-brand marketing when Chrysler began overhauling its marketing operations last month (AA, Nov. 13). At that time, Chrysler consolidated its three divisional marketing groups into one operation under Mr. Damoose.

Chrysler VP-Consumer Affairs Laurel Cutler said last week the realignment signaled Chrysler's official shift to a "category brand management system." She compared the Chrysler changes with Procter & Gamble Co.'s overhaul of its brand management system in late 1987, when a single general manager was put in charge of all brands and products in a single category.

Mr. Kesteloot's job will be to get Chrysler the most bang for its estimated $400 million media spending budget. In part, he will try to ensure that the company's three divisions don't compete with one another in the marketplace.

Mr. Kesteloot's job will be to get Chrysler the most bang for its estimated $400 million media spending budget.

BBDO Worldwide, Southfield, handles Dodge; Bozell, Birmingham, handles Chrysler-Plymouth; and Campbell-Mithun-Esty, Southfield, handles Jeep/Eagle.

The new Chrysler position isn't expected to initially include the breadth of sweeping powers over media and agency decisions held by Philip Guarascio, executive director of advertising and strategic merchandising at General Motors Corp.

Mr. Guarascio, first brought in as an expert on media, has led GM's recent initiatives into program production and category exclusivity in spot TV commercial pods.

At Chrysler, the decision to create a centralized media coordinator comes as the automaker concentrates on its core business to become more competitive. At the same time, the company is cutting fixed costs by $1 billion.

Chrysler officials and agencies have been discussing for several months how the shops can contribute to the $1 billion savings. The final decision is likely to include tightening up production and other costs, combined with a possible reduction in agency commission rates, sources say.

Further streamlining of marketing operations is expected within the three divisions, each of which now has two ad and two merchandising managers. □

COMING NEXT WEEK: Advertising Age picks the Sales Promotion Agency of the Year.

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SPECIAL REPORT

Cable TV

Edited by Anita M. Busch

Cable clone under fire S-2
Heavy hitters in broadcasting mass to unplug 'station.'

Cavett caveat S-10
Talk show host Dick Cavett speaks candidly on the differences between network and cable TV.

Channeling the future S-14
TCI programming executive Peter Barton fine-tunes system of the 1990s.

Cable special doesn't toy around. S-16
HBO special alleges some toy advertising is "misleading."

Ted Turner hones his Midas touch

Cable's one-time maverick presides over solidified empire and takes a thoughtful look at cable's true mission

Ted Turner is setting his sights on a true global news network, world peace and an improved environment in the next decade.

His seemingly seat-of-the-pants gambles since he inherited his father's failing outdoor advertising company in 1963 have helped shape what has become the fragmented media world of today.

Whatever the 1990s might bring, Mr. Turner and his Turner Broadcasting System expect to be a part of it. But at age 50, the once-flamboyant "mouth of the South" seems to have mellowed.

His media empire, once seemingly destined to drown in its own red ink, has never been stronger. Advertising Age *reporter Wayne Walley caught up with Mr. Turner in Atlanta.*

AA: *What will we see from Ted Turner in the 1990s?*

Mr. Turner: The vast bulk of our efforts are centered on cable growth and the growth of our services within the cable universe. I still believe the 1990s will be the cable decade even more so than the 1980s.

Cable began the decade in 20% of U.S. households, roughly, and will leave the decade in 60% of U.S. households. That's a very, very significant change.

In the next three or four years, 70% penetration will be achieved. There's no question in my mind that by the end of the 1990s, 75% of U.S. households will be cable or direct broadcast satellite subscribers.

AA: *How will advertisers fit into cable's growth in the 1990s?*

Mr. Turner: Cable networks have passed the critical point and are now considered mainstream by almost all agencies and advertisers.

Cable's audience is growing rapidly. The audience for the three broadcast networks and the independent stations are all shrinking. As the audience flows more and more to cable, the advertising dollars are going to flow there as well, probably even more rapidly because cable is selling premium demographics.

AA: *Program content became a big issue this year. Did what happened with the Big 3 networks, Fox Broadcasting and syndication shed a bad light on all television?*

Mr. Turner: Not all television, broadcast television . . . Listen to this [referring to a story clip]. Networks prepare for sweeps battle. ABC is pinning some of its sweeps hopes on the two-part miniseries, "Small Sacrifices," about a woman convicted of shooting her three small children.

NBC's sweeps programming—they are the worst ones—consists of four specials that are the most bizarre type of murders, killings and rape and sodomy and the worst things possible. Disgusting.

They are going sleazier than ever. Shooting her three small children. That's just wonderful. Something the whole family should watch together, right? One [program] on NBC is about murder on New Year's eve. What a way to ring in the new year. If I was an advertiser, I wouldn't want to be on any of those shows.

Then look at what we're doing on TNT. The "Butter Battle Book," a Gary Cooper retrospective and "Cold Sassy Tree." "Nightbreaker" is about nuclear war and nuclear testing. We've done exactly what we've said we're going to do: we have taken the high road and . . . we are going to stay that way.

AA: *Do you see cable eventually superceding the Big 3 as the dominant source for*

(Continued on Page S-16)

Joe Benton

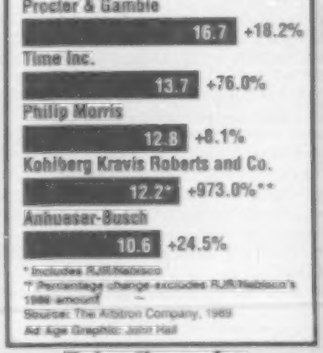
"The 1990s will be the cable decade even more so than the 1980s," say Ted Turner.

BAROMETER

Take a number

Cable's Big Spenders

The top 5 advertisers on six major cable networks for the first half of 1989. Shown in millions of dollars and percent change from 1988.



* Includes RJR/Nabisco
** Percentage change excludes RJR/Nabisco's 1988 amount
Source: The Allston Company, 1989
Ad Age Graphic: John Hall

Take the pulse

Laugh all you want, but the new comedy networks are helping crowd what some say is an already jammed channel selector. Barometer evaluates some new entries' chances:

The Cowboy Channel . . . It'll probably rope 'em in in Austin, but we reckon it won't find enough homes on the range.

Mizlou Sports News Network . . . Faces stiff competition from regional sports channels and ESPN, but programming promises to be different. Will be a tough call.

CNBC . . . It's crying out for an identity and a bigger allowance from its parent. Will probably end up orphaned.

The Sci-Fi Channel . . . To boldly where no network has gone before should help launch this off-beat concept.

The Comedy Channel . . . Got a jump on HA! but programming will determine who has last laugh.

HA! TV Comedy Network . . . Won't know until April who's the fool, but MTV's winning track record probably says it all.

Sports channel glut

Observers worry fans may have gotten their fill

By David J. Wallace

Mizlou Sports News Network should bear in mind what happened to the World Football League.

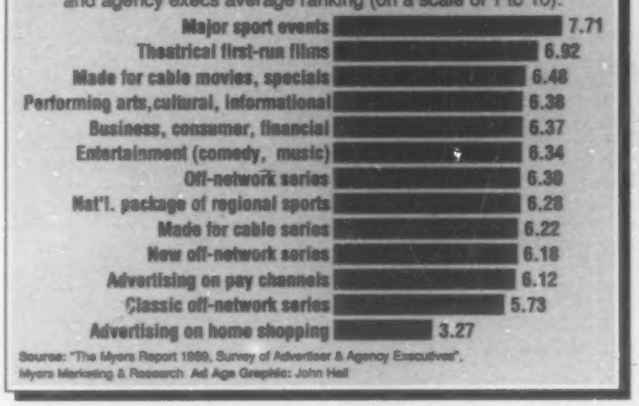
The WFL struggled along for a few years before it was squashed by the National Football League and sports fans' lack of interest.

SNN will enter a similar scenario in February when the Mizlou Communications Co. property will make its debut. Cable sports, dominated by ESPN on the national level and several regional networks, may be on the verge of saturation, observers say.

"There are more teams, more sports and more [viewing] choices. But the sports fan's total viewing audience has remained relatively flat," says Robert Gold, VP-PR for Prime Ticket Network, Los Angeles. "There are fewer pairs of eyeballs watching the games. So advertisers are paying more and getting less."

Sports Programming Scores Big

Where will future cable ad revenue growth come from? Advertiser and agency execs average ranking (on a scale of 1 to 10).


Major sport events 7.71
Theatrical first-run films 6.92
Made for cable movies, specials 6.48
Performing arts, cultural, informational 6.38
Business, consumer, financial 6.37
Entertainment (comedy, music) 6.34
Off-network series 6.30
Nat'l. package of regional sports 6.28
Made for cable series 6.22
New off-network series 6.18
Advertising on pay channels 6.12
Classic off-network series 5.73
Advertising on home shopping 3.27

Source: "The Myers Report 1989, Survey of Advertiser & Agency Executives", Myers Marketing & Research. Ad Age Graphic: John Hall

The majority of the continental U.S. is served by two major regional cable sports providers.

The triumverate of Daniels & Associates Chairman Bill Daniels, Tele-Communications Inc. and entrepreneur and co-owner of the Houston Astros John McMullen created Prime Sports Network last June.

PSN claims to be carried in 9.2 million cable households, primarily in 18 states in the West and Southwest.

The other major player is Rainbow Program Enterprises, an NBC-Cablevision Systems Corp. partnership. Its SportsChannel America serves 6.3 million subscribers and covers such markets as Chicago, New York, New England and Florida.

After an industry shakeout in 1984 and 1985 for the entire cable industry, regional sports channels and networks are in a fairly solid position, according to Dontia Gould, editor of *Cable Television Sports*, an industry newsletter.

> "The sports fan's viewing audience has remained relatively flat."

But the easy pickings are over. All but two of the major U.S. sports centers are taken, she says.

"With the exception of Detroit and Washington, D.C., Rainbow/NBC or Daniels/TCI control the entire market," Ms. Gould says. "You don't see entrepreneurs going into secondary markets. And some networks that are outside the Top 10 markets may have a hard time with advertising."

Not everyone agrees sports TV is tapped out. John Mansell, senior analyst at Paul Kagan Associates, says the market is growing to accommodate new players, particularly those who bring something different to sports fans.

"Sports news is something people want at their fingertips," says SNN Exec VP Jon Steinlauf. "We're not going into this to pick out a niche, but to take sports out of simply live game coverage. I don't see too many other concepts out there that are going to affect programming."

SNN is being programmed as a 24-hour sports news network and will offer features, interviews and other sports news.

ESPN also feels sports cable is still developing, and that the addition of new choices benefits the existing networks and viewers.

"Competition can only benefit the viewer. We're trying to improve what people see and how much they see," says Chris LaPlaca, ESPN's director of communications. "You haven't seen the end of what's happening with sports."

ESPN research shows its viewers who subscribe to regional sports networks find ESPN more valuable than its viewers who do not pick up regional networks. He likens it to the strategic decisions in other media to carve out local, regional, national and international expertises.

Steve Sabol, president of NFL Films, says regional sports channels are "still in their formative years . . . But the sports fan is a very sophisticated audience. The fans respond to something different because they're being saturated with [event coverage]."

Donald Heller, VP-general manager of PRISM, a pay cable channel serving the Philadelphia area, says although advertising generates 25% to 30% of regional sports channels' revenue, there is still more to be tapped. He tempered that optimism by adding increased advertising will not be the pot of gold for unprofitable companies who pay astronomical fees for broadcast rights.

"A lot of people think the advertising market out there is unlimited; I don't," Mr. Heller says. "Ad dollars as a panacea is a fallacy because consumers are going to pay for it sooner or later." □

David J. Wallace is an Advertising Age correspondent based in Philadelphia.

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OUT OF LEFT FIELD

Cavett caveat: New set of rules

By Anita M. Busch

Substance over flash.

Dick Cavett, widely regarded as one of the most sophisticated talk-show hosts to grace the airwaves, is back with his own show on NBC cable channel CNBC.

With a TV career spanning more than 20 years, Mr. Cavett offers a unique perspective on the differences between cable and network TV.

"For the performer, there seems to be less of the kind of instant live or die pressure [on cable] that you have on the networks," he says.

But, Mr. Cavett adds, cable does have its problems. "One of the things you have to deal with is explaining to people why they don't get the show when their cousin six blocks away does."

Advertising and promotion of his show is handled differently because of cable's limited reach. "All the time I'm in cable, I think why not advertise and promote [the show]. However, it doesn't necessarily pay to [advertise] in all the Brooklyn papers where they don't have cable."

Now there are so many channels available because of cable, viewers "don't remember what channel they saw you on. It's not the old days when you couldn't forget that Ed Sullivan was on CBS. . . . It was CBS, wasn't it?"

He says he doesn't really watch much TV, cable or network.

"If I want to be amused and am not getting up early, Carson still makes me laugh so hard, so suddenly. And except for Candy Bergen [on "Murphy Brown"] and the "Golden Girls," I doubt if I can tell you what night anything else is on.

"I'm a sucker for any WWII documentary. Every time I switch A&E on and it's in the middle of one being narrated by Olivier or someone, I'm stuck until the end of that show," Mr. Cavett says.

Viewers are realizing that there is some good programming on cable and have read about the networks' fear of the medium, he says.

Getting guests on the CNBC show hasn't been a problem al-

NBC/Al Levine

Dick Cavett: "One of my earliest fears was who's going to come to Fort Lee."

though Mr. Cavett admits, "One of my earliest fears was who's going to come to Fort Lee, New Jersey [where the show is taped]?

"I pictured it somewhere deep in the heart of the state. Ironically, I can get from home to the studio in Fort Lee easier than from my apartment to the theater district."

He says guests like the half-hour format on CNBC because it assures them that more than likely they'll be the only guest on that particular show. "There's certainly no stigma attached to cable [programming] anymore."

When cable programmers ask guests to appear on a show, now they don't receive the response, " 'I'm not going to leave my hotel room for a cable show,' " he says.

"[The medium has] gained status and people have read that almost everybody and everything has been on cable . . . I don't know, is there some historic date you could point to? Perhaps, like when Sinatra did a cable special and suddenly it became respectable?" □

Czech media eye more ad space

By Peter S. Green

PRAGUE—The expected opening of Czechoslovakia to the West may herald changes in media.

TV and radio commercial airtime may be extended and opened to foreign advertisers for the first time, and both magazines and newspapers may increase ad availability, industry insiders say.

"In two or three months' time, I think we will have Western goods on TV ads," said Miroslav Skopic, publicity manager for Rapid, a state-owned agency.

Czechoslovakia has 13 daily newspapers, hundreds of magazines and two TV channels. There's one national radio network and as many as two local stations in each market.

Local coverage of the protests has been closely watched by Czech citizens. Angry crowds gathered outside the government-controlled TV and radio stations to demand unbiased coverage of the movement.

At rallies in Wenceslas Square, opposition leaders addressed the crowd from the headquarters' balcony of *Svobodne Slovo*, the official Socialist Party daily. Thousands of chanting Czechs cheered *Svobodne Slovo* and cursed the main Communist Party paper, *Rude Pravo*.

Daily newspapers, which usually grew old on the newsstands, have been selling out by 7 a.m.

Czech media's growth has been stymied by tight government control, circulation problems and very low-quality printing and paper.

Currently, the ratio of newsprint limits newspaper pressruns, and newspapers carry very few ads, apart from classifieds.

Magazines carry the bulk of Czech advertising. But even the most popular magazines, such as general-interest *Vlasta*, run only a handful of ads.

But a shortage of paper means that a popular magazine such as *Mlady Svet* (*Young World*) has five readers per copy, claiming paid circulation of 475,000. A b&w page ad costs $4,700.

Jiri Cerny, VP-commercial director at Merkur, a full-service agency as well as the advertising arm of both Czech TV channels, predicted each copy of West German fashion magazine *Burda Moden's* Czech edition (AA, Dec. 4) will be read by 20 to 30 people.

"Next year, they will be reading this year's copies and using the dress patterns. Nobody will throw them out," he said.

The slow growth also stems from the lack of advertisers, industry sources say. "The media don't depend on advertising yet. They're sponsored by the state. But the situation is changing," Mr. Cerny said.

Czech TV also suffers from a lack of investment, he added. Manufacturers of Western goods or of quality Czech goods invest little in advertising.

"Whatever they put on sale is sold," he said.

Each national TV channel broadcasts about 8 hours a day and carries a total of 5 to 15 minutes daily of commercials from Czech marketers.

Advertising for foreign products is banned now, but this is expected to change under the new head of Czech TV, Miroslav Pavel, the Communist government's spokesman and a former journalist.

Radio also is opening up. Before the uprising, Merkur earlier this year had reached an agreement with Czech radio to triple the available ad time to 120 hours a year for the main radio station. □

Yugoslavia may follow Hungary to IAA membership

By Julie Skur Hill and Laurel Wentz

The International Advertising Association is developing an Eastern European accent.

At the New York-based organization's 32nd congress in Hamburg next June, Yugoslavia may join Hungary as the second official chapter in Eastern Europe, said IAA World President Clay Timon.

"Several individuals have come up to me at recent meetings from Yugoslavia, asking how they can become a chapter," said Mr. Timon, who's also VP-worldwide advertising at Colgate-Palmolive Co. "They need 15 members. . . . I think they'll get enough people interested."

The IAA also is "trying to encourage" the Soviet advertising association to upgrade its status as associate member to chapter, he said. In September, a group in Hungary became the IAA's first Eastern European chapter.

To teach IAA's Western members how to enter Eastern Europe, Hungarian IAA General Secretary Andras Szedgedi said he's trying to organize a conference next year in Budapest.

It would cover topics such as how to conquer the Soviet market through Hungary and offer advice from companies already operating in Eastern Europe, such as McDonald's Corp. and Adidas, said Mr. Szedgedi, who's also assistant to the managing director of Young & Rubicam Hungary.

Meanwhile, the IAA is trying to line up the economic ministers of the Soviet Union, Hungary, Yugoslavia, Poland and East Germany to attend the Hamburg congress.

The ministers would hold a group discussion titled "Comecon —a market with unlimited potential? An overview of the business revolution . . . in the Soviet Union and Eastern Europe."

"I think the Hungarian conference might have a problem at-

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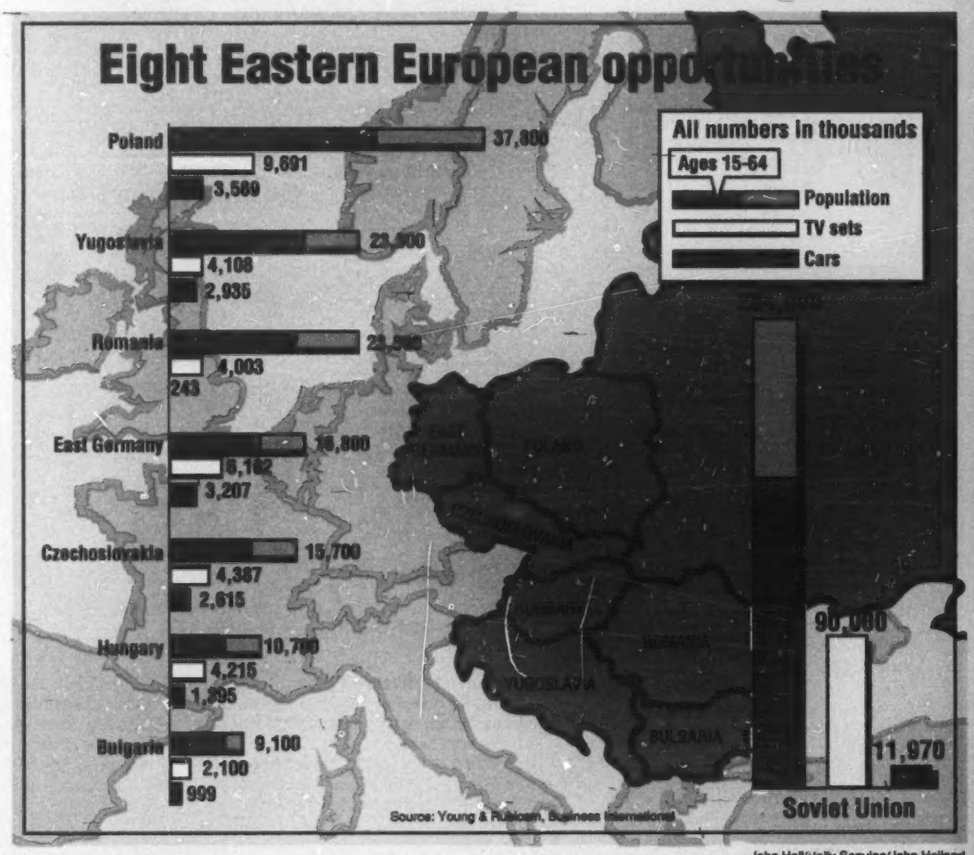

East Germans scout for good buys in West

By Kevin Cote

WEST BERLIN—On the ground floor of the Wertheim department store, three teen-age East German girls sprayed their wrists with Elida Gibbs' Impulse body spray.

"Oh, we've seen this advertised on Western TV," one said. "You can get this, or something like it, in East Germany, but it costs a fortune."

The girls said they recognized many popular western brands, such as Benetton, Adidas and Levi's, but based their buying decisions on price. "We go for the cheapest," one young teen said.

This problem—that many East Germans want to buy brand name products but end up buying at the low end—is undercutting West German retailers' high expectations for the holiday season.

While crowds line up before opening hours to get into Woolworth Corp., where sales reportedly were up 300% soon after the Berlin Wall opened up, "the retail situation is nowhere near as positive as most people would expect," said Klaus Engelen, group sales director of three West Berlin upscale department store chains —Wertheim, Hertie and Bilka.

Overall sales at Wertheim stores are about the same as those during last year's holiday period because brisk sales of low-profit-margin items such as mass-market cosmetics, Unilever's Lux soap, Henkel's FA bath products and Beiersdorf's Nivea lotions, are offsetting losses of up to 20% in high-margin departments such as women's fashions, he said.

Wertheim's experience is typical of many West German department stores. Usual store traffic for Wertheim on the Kurfurstendamm, the tony shopping district here, is about 30,000 shoppers a day, Mr. Engelen said.

Since Nov. 9, the day travel restrictions were lifted, the average has been closer to 100,000.

However, that enormous increase in traffic hasn't automatically added up to profits. "Flat sales, higher costs and theft rates that have gone through the roof. . . . altogether, we're anticipating losses this season," he said.

Personnel costs have soared as stores expanded shopping hours.

Most East Germans are financing their shopping sprees from the $56 "welcome money" given by the West German government.

"But it's not that much money," said a father from Leipzig, guiding his family away from a perfume and digital watch vendor on the Kurfurstendamm.

He said he's saving to buy a decent stop-cock for his toilet back home.

"The one we have breaks down all the time," he said.

While branded jeans such as Levi's and Wrangler weren't moving at the Steg Shop jeans store, the manager reported good sales of no-name dungarees at half the price of branded trousers.

Cosmetics, personal-care items, all types of low-cost audio equipment, including personal stereos, and automotive accessories top East Germans' shopping lists. Other products said to be selling well are radio-controlled and battery-operated toys.

Such buying decisions by East Germany's 16 million consumers are being carefully watched.

A.C. Nielsen Co. is working on a research project to determine the buying patterns of East Germans who've been shopping in towns all along the border between East and West Germany.

"We want to find out how much they are buying, what they are buying and where they are buying it," said Karl-Joerg Kornobis, Nielsen deputy director of customer services.

"A lot of companies are burning for information out of East Germany," he said. □

Agencies cross wall to find comrades

PRAGUE—The leading **Czech ad agencies** are seeking relationships with Western agency groups. Merkur, an agency and the ad arm for both Czechoslovakian TV stations, and Rapid, a state-owned agency connected to the Ministry of Industry, have been in discussions with Western advertisers and agencies for the past year, sources say.

Merkur has met with J. Walter Thompson Co. executives from Vienna and with Young & Rubicam, said Jiri Cerny, Merkur VP-commercial director. However, the agency is more interested in working with European—especially West German—agencies.

Also, several Rapid executives are seeking to establish their own agencies early in 1990 and are starting to look for ties to Western agencies, sources say.

NUREMBERG—GfK, a market research company based here, wants to open an office in East Germany but is having trouble finding the right people to talk to.

"We're in contact with East Berlin, but nothing so far," said GfK Managing Director Hans Juergen Anders. In August, GfK set up a subsidiary in Hungary and will use that as a base to expand into East Germany, he said.

BRIEFS

MOSCOW—A sign of the changing times was posted Nov. 29 when **Coca-Cola Co.** lit a red, 20-by-40-foot neon Coca-Cola sign in Pushkin Square.

The sign features the Coca-Cola trademark in a moving display that includes the time and current temperature.

WEST BERLIN—Flaskamp agency here hopes to establish an office on the other side of the crumbling Wall.

The agency has had discussions with a design company in Dresden for the past three years but is now looking closer to home at an office in East Berlin.

FRANKFURT—Dieter Schweickhardt, managing director of GWA, a West German ad agency association based here, has written East Germany's advertising organization **Interwerbung** in East Berlin in an effort to re-establish ties.

He said in an interview the agencies his association represents are willing to expand offices into the East.

"Only we don't know what form it will take because it still is not clear how businesses will be structured in [East Germany]," he said. "The first step is to say, 'Let's talk.' " □

The perfect gift

A timely U.K. newspaper ad comments on recent events in East Germany. Lego UK's ad shows building-block people passing through Berlin's Brandenburg Gate. WCRS Mathews Marcantonio, London, handled.

IAA

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tracting the same people," Mr. Timon said. "My point is let the world congress have the general Eastern Europe information, and the Hungarian conference can handle specialized information."

A few hundred people are expected to attend the Hungarian conference while 1,000 to 2,000 are expected at the Hamburg congress themed "Changes," he said.

"The world is changing faster than ever before; environmental protection, megamergers, *glasnost* have influenced the world and the economy," said Joerg A. Breckwoldt, chairman of the congress and managing partner of cosmetics marketer Dralle, Hamburg.

Many of the proposed speakers for the Hamburg congress have accepted. They include Philip H. Geier Jr., chairman-ceo, Interpublic Group of Cos.; Helmut Sihler, ceo, Henkel; Allen Rosenshine, chairman-ceo, BBDO Worldwide; and Michael Conrad, president-director of creative services, Leo Burnett International. *Newsweek* will send journalists from four continents for a discussion on media concentration.

The fee for the three-day congress is $750 for IAA members; non-members pay $900. □

Dagmar Mussey in Duesseldorf contributed to this story.

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